

A RECENT STUDY ON ATTRITION TRENDS AND RETENTION PRACTICES IN INDIA: ISSUES AND IMPLICATIONS

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ABSTRACT

The biggest challenge facing the corporate houses these days is not attracting the prospective employee but retaining the talent. Attrition has been a never-ending problem for every organization especially the developing countries like India due to either lack of appreciation or lack of proper job sculpting. Employee Retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Companies in India as well as in other countries face a formidable challenge of recruiting and retaining talents while at the same time having to manage talent loss through attrition be that due to industry downturns or through voluntary individual turnover.

This paper examines the faces of attrition within the global organization of today; and attempts to offer some insight that may alleviate future problems. In this paper an attempt has been made by author to suggest suitable measures for controlling attrition and retention practices prevalent in India and various implications of the same.

KEYWORDS: Employees, Attrition, Retention, Attrition Drivers, Retention Strategies

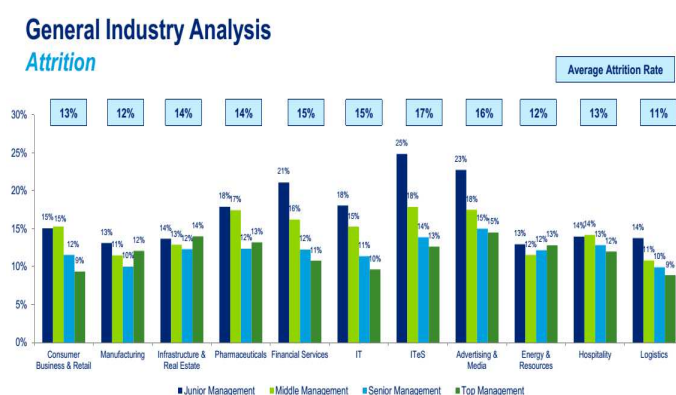
INTRODUCTION

In today's fiercely competitive business landscape, success hinges much on the retention of employees. In a knowledge driven economy, it is the people who are emerging as key competitive differentiators and retaining the talent has become a matter of paramount importance. But swelling attrition levels across the businesses are strait-jacketing the distraught HR practitioner's ability to come out with good retention strategies. Willy-nilly, attrition is here to stay and is not a fringe concern for the companies any more. The trick lies in having sound human resource practices in place that can effectively combat the scourge of attrition. For a generation used to constantly seeing and adapting to change, "getting bored" will happen quickly and easily. Jobs will be increasingly treated like projects and assignments that workers would like to complete and move on. And they would want to have the option of multiple employment contracts - full-time jobs, consultancy, and project-based jobs to retainer ships. Companies will have to either cater to these needs or lose them to competition. Perhaps reasons why many 'Best Employers' like Satyam are institutionalizing the job change. Satyam has a "global rotation plan" where every 18-24 months, employees can actively seek a job change.

Attrition Scenario across Various Sectors in India

The Indian Economy is currently going through a challenging phase as GDP growth slowed down to nearly a

decade low in 2012-13 with domestic as well as external factors playing a part in this downfall. Macroeconomic issues such as high public expenditure, depleting investment and saving levels, worsening current account balance as well as depreciation of the Rupee have added to the present economic pressures over-shadowing positive aspects such as moderation in inflation and recovery of stock markets during the year. Almost all the sectors in India are facing attrition, but the reasons and effects are unique to each sector. The attrition rate in different sectors are depicted in Figure 1. While the IT Enabled services has the highest attrition rate, other sectors that are currently facing significantly high attrition are Telecom, Pharmaceuticals, Retail etc. As a result, every organization is now striving to put into practice several measures to counter attrition, right from identifying the root cause to making the right hires. Though there is no specific data available on the gender differences in attrition levels, it has been found that women employees are less likely to switch job, merely for a modest (10-15%) hike in salaries. If given the 'right environment', which implies work-life flexibility, women tend to stay longer than men in job.



Source: Based on Survey by Deloitte Touche Tohmatsu India Private Limited in 2013

Figure 1

As per a latest survey conducted in year 2013 by Deloitte Human capital Consulting, attrition rates have reduced slightly across sectors. However, it continues to be a concern at the Junior Management level. Highest attrition rate recorded at the Junior Management level in the ITeS sector (25%). This sector also faces the highest overall attrition rates (17%), closely followed by IT, Pharmaceutical and Infrastructure & Real Estate sectors. The most prevalent reason employees leave organizations is better career opportunities – entry into the market of many foreign players across sectors has increased the job opportunities especially at Junior Management level, allowing easy movement of the workforce. Employees are also leaving for better pay elsewhere as well as for personal reasons and better work-life balance.

Key Reasons for Attrition

It is not easy to find out, who contributes and who has the control on the attrition of employees. Various studies/survey conducted indicates that everyone is contributing to the prevailing attrition. Attrition does not happen for one or two reasons. The way the industry is projected and speed at which the companies are expanding has a major part in attrition. If you look within, the specific reasons for attrition are varied in nature and it is interesting to know why the people change jobs so quickly. Even today, the main reason for changing jobs is for higher salary and better benefits.

Three key categories in which drivers of attrition can be categorized are as follows:

- Individual/ Personal reasons

- Organizational reasons
- Other reasons

The figure 2 below clearly depicts the above reasons

Individual Reasons/ Personal Reasons

The personal reasons are many and only few are visible to us. The foremost personal reasons are getting married or change of place. The next important personal reason is going for higher education. Health is another aspect, which contributes for attrition. Employees do get affected with health problems like sleep disturbances, indigestion, headache, throat infection and gynecological dysfunction for lady employees. Youngsters look jobs as being temporary and they quickly change the job once they get in to their own field.

Organizational Reasons

The employees always assess the management values, work culture, work practices and credibility of the organization. The Indian companies do have difficulties in getting the businesses and retain it for a long time. There are always ups and downs in the business.

• Other Factors

Working environment is the most important cause of attrition. Employees expect very professional approach and working environment of international standard. They expect very friendly and learning environment. Employees look for freedom, good treatment from the superiors, good encouragement, friendly approach from one and all, and motivation. If they won't get such environment they will leave the job. The demand for trained and competent manpower is very high. Poaching has become very common. The big companies target employees of small companies. The employees with 4-6 months experience have very good confidence and dare to walk out and get a better job in a week's time. Most of the organizations have employee referral schemes and this makes people to spread message and refer the known candidates from the previous companies and earn too.

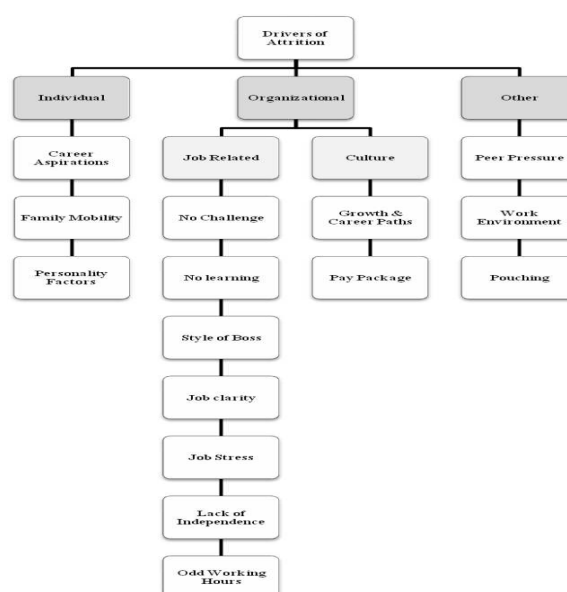


Figure 2: Drivers/Key Reasons of Attrition

Impact of Attrition

The attrition of employees has a lasting impact on the firm's bottom line. When an employee quits, the need for replacement arises, the organization incurs some tangible costs. The impact ranges from costs of replacement to culture management issue with the new recruit.

Direct Impact: A high attrition indicates the failure on the company's ability to set effective HR priorities. Clients and business get affected and the company's internal strengths and weaknesses get highlighted. New hires need to be constantly added, further costs in training them, getting them aligned to the company culture, etc.,—all a challenge.

Indirect Impact: Typically, high attrition also leads to a chronic or systemic cycle—attrition brings decreased productivity, people leave causing others to work harder and this contributes to more attrition. All this has a significant impact on the company's strength in managing their business in a competitive environment.

Positive Impact of Attrition

Attrition is not bad always if it happens in a controlled manner. Some attrition is always desirable and necessary for organizational growth and development. The only concern is how organizations differentiate “good attrition” from “bad attrition”. The term “healthy attrition” or “good attrition” signifies the importance of less productive employees voluntarily leaving the organization. This means if the ones who have left fall in the category of low performers, the attrition is considered being healthy. Attrition rates are considered to be beneficial in some ways:

- If all employees stay in the same organization for a very long time, most of them will be at the top of their pay scale which will result in excessive manpower costs.
- When certain employees leave, whose continuation of service would have negatively impacted productivity and profitability of the company, the company is benefited.
- New employees bring new ideas, approaches, abilities & attitudes which can keep the organization from becoming stagnant.
- There are also some people in the organization who have a negative and demoralizing influence on the work culture and team spirit. This, in the long-term, is detrimental to organizational health.
- Desirable attrition also includes termination of employees with whom the organization does not want to continue a relationship. It benefits the organization in the following ways:
 - It removes bottleneck in the progress of the company
 - It creates space for the entry of new talents
 - It assists in evolving high performance teams
- There are people who are not able to balance their performance as per expectations, lack potential for future or need disciplinary action. Furthermore, as the rewards are limited, business pressures do not allow the management to over-reward the performers, but when undesirable employees leave the company, the good employees can be given the share that they deserve.

Some companies believe attrition in any form is bad for an organization for it means that a wrong choice was

made at the beginning while recruiting. Even good attrition indicates loss as recruitment is a time consuming and costly affair. The only positive point is that the realization has initiated action that will lead to cutting loss.

Negative Impact of Attrition

Important negative consequences, which have an impact on organizational effectiveness, will be discussed below:

- The impact on organizational cost,
- Operational disruption
- Demoralization of organizational membership.
- **The Impact of Turnover on Organizational Cost**

Organizational efficiency has been shown to be highly correlated with a low turnover rate. Studies dealing with the impact of turnover are dominated by a concern with organizational effectiveness, which is defined “as the extent to which the system achieves its goals. The financial impact of turnover is usually expressed in monetary terms. Cascio in 1991 made the most significant contribution in this respect, discussing the extent to which turnover cost are important.

According to Cascio the loss of an esteemed employee can engender a loss of productivity. Another category is named the “vacancy costs” that refers to the expenses that incurred due to increased overtime or temporary workers that are employed to complete the tasks of the vacant position.

- **Operational Disruption**

Operational disruption occurs when high interdependence of work roles within the company exists. The loss of key members in an organization which is characterized as being highly interdependent and specialized can influence the ability of other remaining members to fulfill their work task. In some companies higher turnover rate is expected to find in lower hierarchy levels. Replacing these positions is not that difficult for the organization. This problem can be solved with back up personnel or employees can be trained with multiplicity skills.

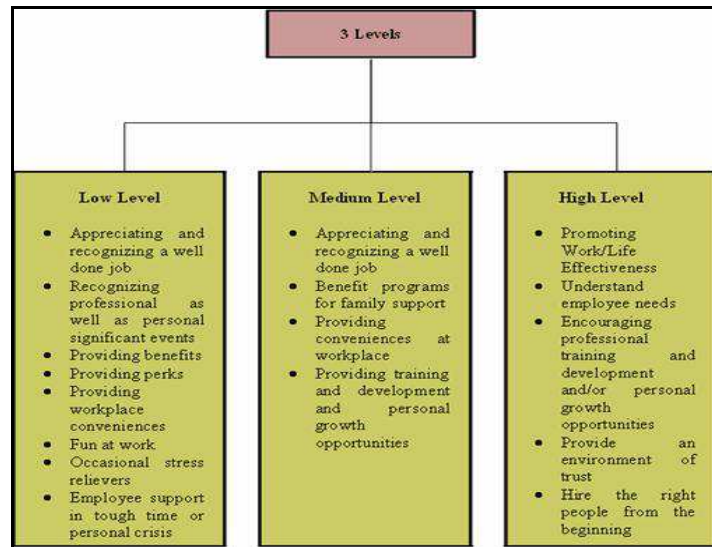
- **Demoralization of Organizational Membership**

The demoralization of organizational membership refers to the impact of turnover on attitudes of the remaining members. If a person decided to leave for an alternative position in an external environment, it may provoke a reflective sentiment with remaining members, such as questioning their own motivation to stay in the organization. Thus turnover can cause additional turnover by stimulating deterioration in attitudes towards the organization.

The perceived reason of leaving is one essential factor for demoralization of organizational membership. If the reason for quitting is a non-organizational matter, such as family issues or location change, then the feeling of demoralization is less existent. Yet if the reason is rather dependent on organizational dimensions, such as pay or supervisory support, then it will likely lead to demoralization.

Retention Practices

These practices can be categorized in 3 levels: Low, medium and high level, shown in Figure 3.



Source: <http://retention.naukarithub.com/retention-strategies.html>

Figure 3: Retention Practices

• **Low Level Employee Retention Strategies**

- Appreciating and recognizing a well done job
- Personalized well done and thank-you cards from supervisors
- Congratulations e-cards or cards sent to spouses/families
- Voicemails or messages from top management
- Periodic days off for good performance
- Rewards (gift, certificates, monetary and non monetary rewards)
- Recognizing professional as well as personal significant events
- Wedding gifts
- Anniversary gifts
- New born baby gifts
- Scholarships for employee's children
- Get well cards/flowers
- Birthday cards, celebrations and gifts
- Providing benefits
- Home insurance plans
- Legal insurance
- Travel insurance
- Disability programs

- Providing perks: It includes coupons, discounts, rebates, etc
- Discounts in cinema halls, museums, restaurants, etc.
- Retail store discounts
- Computer peripherals purchase discounts
- Providing workplace conveniences
- On-site ATM
- On-site facilities for which cost is paid by employees laundry facility for bachelors
- Assistance with tax calculations and submission of forms
- Financial planning assistance
- **Medium Level Strategies for Employee Retention**
 - Appreciating and recognizing a well done job
 - Special bonus for successfully completing firm-sponsored certifications
 - Benefit programs for family support
 - Child adoption benefits
 - Flexible benefits
 - Dependents care assistance
 - Medical care reimbursement
 - Gymnasiums
 - Providing training and development and personal growth opportunities
 - Sabbatical programs
 - Professional skills development
 - Individualized career guidance
- **High Level Strategies**
 - Promoting Work/Life Effectiveness
 - Develop flexible schedules
 - Part-time schedules
 - Extended leaves of absence
 - Develop Support Services
 - On-site day care facility etc.

- Understand employee needs: This can be done through proper management style and culture
- Listen to the employee and show interest in ideas
- Appreciate new ideas and reward risk-taking
- Show support for individual initiative
- Encourage creativity
- Encouraging professional training and development and/or personal growth opportunities: It can be done through: Mentoring programs, Performance feedback programs.

Employers and Their Key Drivers to Attract and Retain Talents

Table 1: Employers & Their Retention Practices

Employers	Key Drives to Attract and Retain Talent
Procter and Gamble India	<ul style="list-style-type: none"> ○ Early responsibilities in career ○ Flexible and transparent organizational culture ○ Global opportunities through a variety of exposure and diverse experiences ○ Performance Recognition
American Express (India)	<ul style="list-style-type: none"> ○ Strong global brand ○ Value-based environment ○ Pioneer in many people practices
NTPC	<ul style="list-style-type: none"> ○ Learning and growth opportunities ○ Competitive rewards ○ Opportunity to grow, learn and implement ○ Strong social security and employee welfare performance- oriented culture
Johnson & Johnson	<ul style="list-style-type: none"> ○ Strong values of trust, caring fairness, and respect within the organization ○ Freedom to operate at work ○ Early responsibility in career ○ Training and learning opportunities ○ Visible, transparent and accessible leaders ○ Competitive rewards ○ Innovative HR programs and practices
Glaxo Smith Kline Consumer Healthcare	<ul style="list-style-type: none"> ○ Performance-driven Rewards ○ Its belief in “Growing our own timber” ○ Comprehensive development and learning programs ○ Flat organization, where performance could lead to very quick progression ○ Challenging work context ○ Competitive rewards ○ Exhaustive induction and orientation program
Tata Steel	<ul style="list-style-type: none"> ○ Organization philosophy and culture ○ Job stability ○ Freedom to work and innovate
Colgate Palmolive India	<ul style="list-style-type: none"> ○ Company brand ○ Open, transparent, and caring organization ○ Management according to the managing with respect to guiding principles ○ Training and development programs ○ Structured career planning process ○ Global career opportunities
Wipro	<ul style="list-style-type: none"> ○ Company's brand as an employer ○ Early opportunities for growth ○ High degree of autonomy ○ Value compatibility ○ Innovative people program

Table 1: Contd.,

Indian Oil Corporation	<ul style="list-style-type: none"> ○ Company brand image ○ Work ethics ○ Learning and growth opportunities ○ Challenging work assignments ○ Growing organization
TCS	<ul style="list-style-type: none"> ○ The group brand equity ○ Strong corporate governance and citizenship ○ Commitment to learning and development ○ Best in people practices ○ Challenging assignments ○ Opportunity to work with fortune 500 clients

CONCLUSIONS

Organizations planning for the future should be giving close attention to why attrition is occurring in the present. To ignore why people are leaving the organization is to ignore the organization's greatest asset – its people. People are needed to accomplish the task, but people are more than just tasks they perform. They are dreams, hopes, ambitions, creativity and innovation. To recognize and cultivate these valuable assets is one of the surest ways to build an organization that leads rather than follows in domestic and global markets. Thus, Organizations should create an environment that fosters ample growth opportunities, appreciation for the work accomplished and a friendly cooperative atmosphere that makes an employee feel connected in every respect to the organization. Retention plans are an inexpensive way of enhancing workplace productivity and engaging employees emotionally. Proficient employees keep the quality up and business operations run smoothly along with the cost saving in the longer run.

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